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CONSOLIDATED RAMBLER MINES
LIMITED

Annual Report



1967

CONSOLIDATED RAMBLER MINES LIMITED

AUTHORIZED CAPITALIZATION

\$5,000,000.00 divided into 5,000,000 shares of the par value of \$1.00 each.

DIRECTORS

M. J. BOYLEN, D.C.L., D.Sc.	-	-	-	-	-	Toronto, Ontario
PHILIP E. BOYLEN	-	-	-	-	-	Willowdale, Ontario
GORDON H. GIBBS	-	-	-	-	-	Willowdale, Ontario
ROBERT W. DEMPSEY, B.E., P.Eng.	-	-	-	-	-	Islington, Ontario
GORDON L. MOORE	-	-	-	-	-	Islington, Ontario
GORDON F. PUSHIE	-	-	-	-	-	St. John's, Newfoundland

OFFICERS

M. J. BOYLEN, D.C.L., D.Sc.	-	-	-	-	-	-	<i>President</i>
PHILIP E. BOYLEN	-	-	-	-	-	-	<i>Vice-President</i>
GORDON L. MOORE	-	-	-	-	-	-	<i>Secretary</i>
KEITH A. WALKER	-	-	-	-	-	-	<i>Treasurer</i>
CHARLES B. BRANNIGAN	-	-	-	-	-	-	<i>Assistant-Treasurer</i>
D. W. GORDON	-	-	-	-	-	-	<i>Assistant-Secretary</i>

HEAD OFFICE

SUITE 908, 330 BAY STREET - - - - - Toronto, Ontario

MINE OFFICE

BAIE VERTE - - - - - Newfoundland

AUDITORS

SNYDER, CRAIG & Co. - - - - - Toronto, Ontario

TRANSFER AGENT and REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
366 Bay Street, Toronto, Ontario

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting herewith the Annual Report of your Company for the year ending December 31, 1967, which includes a comparative balance sheet and related financial statements for the fiscal year ending December 31, 1967, and notes related thereto and report of auditors and Mine Manager.

Considerable difficulty was encountered in our progress towards bringing the east mine to 1,000 tons per day. The average tons milled per day from this zone throughout 1967 was 649 tons. However, the first four months of 1968 have shown a great improvement and in that period averaged 980 tons per day. An underground crusher is now in course of installation and should be completed on June 15. This will improve efficiency and will increase the tonnage capacity to 1,500 tons per day.

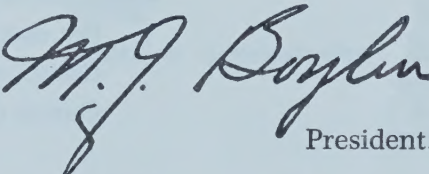
Production at the main mine was temporarily suspended in October 1967 and further development work is required below the 650 foot level before further mining in this area can be carried out. It is planned to do more development work as soon as funds are available for allocation to this area. Complete operating data is fully set out in the report of the mine manager.

The note payable shown on the balance sheet, in the amount of \$600,000 and due March 15, 1968, has now been paid and a new note in a similar amount arranged, which becomes due in 1970.

Subsequent to the year end under review, all interest on the 6 percent second mortgage bonds due up to and including April 1, 1968, has been paid and the amount of \$75,000 has been paid on the principal of these bonds.

Your Directors wish to acknowledge the co-operation and assistance of the Province of Newfoundland. They also again express their appreciation for the loyal and able services rendered during the year by its Staff and Employees.

On behalf of the Board of Directors,


President.

Toronto, Ontario,
May 10, 1968.

MINE MANAGER'S REPORT

Box 98, Baie Verte, Nfld.
April 30, 1968

The President and Directors
Consolidated Rambler Mines Limited
Suite 908, 330 Bay St.
Toronto 1, Ontario

Dear Sirs:

Herewith is submitted a report covering operations at the Baie Verte, Newfoundland property during the year ended December 31, 1967.

EAST ZONE

The East Zone produced 236,907 tons of ore which yielded 5,764,585 pounds of copper, 865 ounces of gold, and 6,459 ounces of silver. The net value of payable metals after accounting for smelter losses and treatment and handling charges amounted to \$2,451,594. The following table shows comparative performance data and operating results:

	1966 (3 mos)	1967
Tons milled per day	370	649

Metal Content:

Per cent Copper	0.94	1.26
Ounces of Gold per ton	0.004	0.2237
Ounces of Silver per ton	0.024	0.027

Metal Recovery (Per Cent)

Copper	95.80	97.07
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(During the first four months of 1968 the tons per day averaged 980 tons, and the grade averaged 1.45% copper.)

Mine Operating Costs (Per Ton Milled)

	1967
Development	\$0.89
Mining	2.84
Milling	1.35
General administrative	1.08
	<u>\$6.16</u>

Ore Reserves

<u>Date</u>	<u>Vertical Depth</u>	<u>Tons Proven</u>	<u>Tons Prob- able</u>	<u>Tons Possible</u>	<u>Total All Cate- gories</u>	<u>% Copper All Cate- gories</u>
Jan. 1, '68	1,000	988,024	90,446	180,034	1,384,354	1.32

A 10% factor for dilution has been applied in the "Total All Categories" and average grade for all categories shown above.

Exploration

Exploration, by surface drilling, to the East of the East Zone started in October. The emphasis to date has been to locate additional ore lenses; drilling to explore the downward extension of the known zone will be carried out at a later date. Ore sections were encountered in several holes at depths of 1,400'. These should be examined by underground openings and further drilling.

Exploration in the vicinity of the known ore will be carried out by diamond drilling from underground openings. A cross-cut on the 1,000' level is being driven out to the ore zone at the present time.

The ore grade has improved since the beginning of 1968. It is now about 1.40% copper.

The underground crusher will be installed by June 15 and should improve the efficiency greatly.

MAIN ZONE

The Main Zone produced 94,372 tons of ore which yielded 1,860,025 pounds of copper, 3,811,114 pounds of zinc, 56,053 ounces of silver, 13,282 ounces of gold, and 11,482 pounds of cadmium. The net value of payable metals after accounting for smelter losses and treatment and handling charges amounted \$1,553,726.

Production at the Main Zone has been temporarily suspended so that the mill could handle the large tonnage from the East Zone which is predominantly copper, in order to take advantage of the present copper prices.

Further ore development work will be required below the 650 Level before mining can be resumed.

The following table shows comparative performance data and operating results:

	<u>1966</u>	<u>1967 (10 mos)</u>
Tons milled per day	407	321

Metal Content:

Per cent Copper	1.36	0.95
Per cent Zinc	2.04	2.54
Ounces of Gold per ton . .	0.137	0.171
Ounces of Silver per ton .	0.73	0.72

Metal Recovery (Per Cent)

Copper	96.3	95.82
Zinc	81.7	75.8
Gold	74.8	76.0
Silver	89.8	80.2

Mine Operating Costs (Per Ton Milled)

Development	0.85	1.03
Mining	3.83	4.82
Milling	3.17	3.07
General & Administrative	2.16	2.25
	<u>\$ 9.39</u>	<u>\$11.17</u>

General

Most of the employees are Newfoundlanders and are becoming good workers who will improve, and I wish to thank them as well as the staff and other employees for their efficient work and loyal services.

I acknowledge the support and co-operation of the officers and directors of the company.

Respectfully submitted

M. P. TRUMAN, B.Sc.
Mine Manager.

Balance Sheet December 31, 1967 (With comparative figures for 1966)

ASSETS

	1967 \$	1966 \$
CURRENT		
Cash	22,316	(5,129)
Net estimated amount receivable from sale of mineral concentrate (Note 1)	1,990,818	962,314
Accounts receivable	7,216	11,742
Estimated overpayment of special refundable corporation tax and accrued interest	—	43,172
Prepaid expenses and deposits	52,400	14,829
	<u>2,072,750</u>	<u>1,026,928</u>
FIXED		
1 Mining lease and 22 mining claims in the White Bay District, Province of Newfoundland, at cost (Notes 2 and 3)	224,978	222,068
Land at cost	4,485	4,485
Buildings, surface structures and equipment, at cost less accumu- lated depreciation of \$857,188 — 1966 \$491,569	2,860,647	3,034,928
	<u>3,090,110</u>	<u>3,261,481</u>
MISCELLANEOUS		
Materials and supplies on hand and in transit, at cost	392,434	394,343
Special refundable corporation tax	10,239	13,650
	<u>402,673</u>	<u>407,993</u>
DEFERRED EXPENDITURES		
Mine development expenses, less amortization (Note 4)	<u>2,070,874</u>	<u>2,278,721 (a)</u>
NOTE		
1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 4 of the Notes to the Financial Statements.		
	<u>7,636,407</u>	<u>6,975,123</u>

Approved on behalf of the Board.

M. J. BOYLEN, Director.

G. L. MOORE, Director.

CONSOLIDATED RAMBLER MINES LIMITED

(Incorporated under the Laws of Ontario)

LIABILITIES

	1967 \$	1966 \$
CURRENT		
Bank loans, secured	524,281	524,738
Note payable, due March 15, 1968	600,000	—
Accounts payable and accrued liabilities	952,166	1,011,367
Government of Canada — Refundable Tax	6,100	—
Province of Newfoundland — Mining Tax	48,500	17,492
— Financial Fee (Note 7)	265,856	195,856
Past due instalments of second mortgage bonds (Note 8)	480,000	—
	<u>2,876,903</u>	<u>1,749,453</u>
LONG TERM		
4½ % First mortgage serial bonds (U.S. \$300,000) (Notes 5, 6 and 7)	324,281	649,500
6% Second mortgage bonds (Note 8)	720,000	1,200,000
7% Convertible debentures (Note 9)	500,000	500,000
5% Unsecured, deferred, subordinated notes and accrued interest (Note 10)	59,899	57,399
	<u>1,604,180</u>	<u>2,406,899</u>
COMMITMENT (Note 11)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized:		
5,000,000 Shares of \$1.00 par value — <u>\$5,000,000</u>		
Issued:		
2,940,006 Shares	2,940,006	2,940,006
Less: Discount thereon	965,000	965,000
	<u>1,975,006</u>	<u>1,975,006</u>
Options: (Note 12)		
CONTRIBUTED SURPLUS		
Balance unchanged from previous year	<u>14,625</u>	<u>14,625</u>
EARNED SURPLUS		
Balance, end of year	<u>1,165,693</u>	<u>829,140 (a)</u>
	<u>3,155,324</u>	<u>2,818,771</u>
	<u>7,636,407</u>	<u>6,975,123</u>

The notes attached form an integral part of these financial statements.

Submitted with our Report to the Shareholders dated April 30, 1968.

SNYDER, CRAIG & CO.,
Chartered Accountants.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Profit and Loss

For the year ended December 31, 1967

(With comparative figures for 1966)

	MAIN ZONE 1967 10 Months \$	EAST ZONE 1967 9 Months \$	MAIN ZONE 1966 12 Months \$
INCOME			
Gross metal production	1,937,051	2,502,255	3,256,346
Less: Marketing costs	383,325	400,786	609,330
Net metal production	<u>1,553,726</u>	<u>2,101,469</u>	<u>2,647,016</u>
OPERATING EXPENSES			
Mining	551,871	797,778	698,955
Milling	290,123	278,016	470,105
Mine general expenses	173,107	182,126	225,537
Administrative expenses	36,652	53,856	42,486 (a)
	<u>1,051,753</u>	<u>1,311,776</u>	<u>1,437,083</u>
NET PROFIT on operations before provision for depreciation and mine development expenses written off	<u>501,973</u>	<u>789,693</u>	<u>1,209,933</u>
PROVISION FOR			
Depreciation of fixed assets	174,894	150,111	208,179
Mine development expenses written off	143,195	139,879	143,195
	<u>318,089</u>	<u>289,990</u>	<u>351,374</u>
NET PROFIT ON MINING OPERATIONS	<u>183,884</u>	<u>499,703</u>	<u>858,559</u>
FINANCIAL EXPENSES			
Interest on first mortgage bonds	21,895	—	48,591
Interest on second mortgage bonds	—	59,121	—
Interest on convertible debentures	—	26,370	— (a)
Other interest	70,155	49,877	75,041 (a)
	<u>92,050</u>	<u>135,368</u>	<u>123,632</u>
Less: Profit on hedging sterling funds	8,159	4,324	—
	<u>83,891</u>	<u>131,044</u>	<u>123,632</u>
NET PROFIT AFTER FINANCIAL EXPENSES	<u>99,993</u>	<u>368,659</u>	<u>734,927</u>
NET PROFIT COMBINED	<u>468,652</u>		<u>734,927</u>
Provision for mining taxes	31,008		14,615
Province of Newfoundland financial fee	70,000		70,000
	<u>101,008</u>		<u>84,615</u>
NET PROFIT FOR THE YEAR	<u><u>367,644</u></u>		<u><u>650,312 (a)</u></u>

NOTE

1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 4 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earned Surplus

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967 \$	1966 \$
Balance, beginning of year	829,140	200,880 (a)
Add: Net profit for the year	367,644	650,312 (a)
	<u>1,196,784</u>	<u>851,192</u>
Deduct: Loss on disposal of fixed assets	31,091	15,297
Incorporation expenses written off	—	6,755
	<u>31,091</u>	<u>22,052</u>
Balance, end of year	<u>1,165,693</u>	<u>829,140 (a)</u>

NOTE

1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 4 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Application of Funds

For the year ended December 31, 1967

(With comparative figures for 1966)

SOURCE OF FUNDS	1967 \$	1966 \$
Net earnings	367,644	650,312 (a)
Depreciation of fixed assets	325,005	208,179
Amortization of mine development	283,074	143,195
Funds applicable to operations	975,723	1,001,686
Issue of 7% convertible debentures	—	500,000
Interest deferred on subordinated notes	2,500	2,500 (a)
	<u>978,223</u>	<u>1,504,186</u>
APPLICATION OF FUNDS		
Purchase of fixed assets:		
Land	—	1,920
Mining claims	2,910	—
Buildings, surface structures and equipment	181,815	720,139
	<u>184,725</u>	<u>722,059</u>
Mine development	75,227	886,724 (a)
Payment of 4½ % first mortgage bonds	325,219	487,125
Past due 6% second mortgage bonds included in current liabilities ..	480,000	—
Purchase of materials and supplies	(1,909)	105,706
Special refundable corporation tax and accrued interest	(3,411)	13,650
	<u>1,059,851</u>	<u>2,215,264</u>
Resulting in a decrease in working capital of	(81,628)	(711,078)
Working capital, beginning of year	(722,525)	(11,447)
Working capital, end of year	<u>(804,153)</u>	<u>(722,525)</u>

NOTE

1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 4 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

DECEMBER 31, 1967

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the amount receivable is reported to the Company by the processor in the fourth month following the placing of the mineral concentrate into process.

MINING LEASE AND CLAIMS

2. The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1, 1961, and is renewable for two additional terms of thirty years each. An annual rental is stipulated under the lease equal to one-third of the net profits from all mining operations calculated in accordance with a formula set out in the lease. No rental is payable in respect of fiscal periods up to December 31, 1967.
3. The twenty-two mining claims were acquired during 1967 at a cost of \$2,910 and adjoin the property covered by the mining lease.

EAST ZONE PREPRODUCTION EXPENSE

4. East Zone preproduction expense has been increased by the application of the following interest and administration expenses which are now considered to be applicable but which were previously charged against the operations of the Main Zone.

	1966	1965
	\$	\$
Interest on convertible debentures ..	8,534	—
Other interest	11,958	1,637
Administration	42,486	16,814
	<u>62,978</u>	<u>18,451</u>

The 1966 figures in the Financial Statements have been restated to give effect to the above changes.

4½% FIRST MORTGAGE SERIAL BONDS

5. The principal amount of the bonds, which are guaranteed by the Province of Newfoundland, becomes due and payable in U.S. funds on July 1, 1968.
6. Under the terms of a Trust Deed, the bonds are secured by a first fixed and specific mortgage, pledge and charge on all the Company's real and immovable freehold and leasehold property and rights, including mining leases, rights, concessions, claims and licenses of occupation, now owned or hereafter acquired, together with all mines, mills, buildings, erections, fixed plant, fixed machinery and fixed equipment, and by a first floating charge on all the other assets of the Company.
7. Under an agreement dated as of November 18, 1963, and in consideration for the guarantee of the bonds by the Province of Newfoundland, the Company has agreed:

- (a) that it will pay to the Province of Newfoundland, as a first charge on the net profits, \$350,000 out of the profits derived from mining operations by equal amounts of \$70,000 in each of the calendar years 1964 to 1968 inclusive, but if in any calendar year the sum of \$70,000 is not paid in

full, such amount or the unpaid part thereof, is payable in a subsequent calendar year during which the Company shall have derived sufficient profit from its operation, provided that the whole of the \$350,000 shall be paid on or before March 31, 1969. The liability in respect of the years 1964 to 1967 inclusive has been fully provided for in these Financial Statements.

- (b) that during the period that any of the bonds remain outstanding or the Company is under any liability to the bondholders in respect of the bonds or to the government in respect of its guarantee, it will pay, in addition to the usual mining tax of 5% of net income derived from mining, an additional 2% of such net income.

6% SECOND MORTGAGE BONDS

8. The principal amount of the bonds, which were issued under a Trust Indenture dated January 15, 1965, becomes due and payable in five instalments of \$240,000 each. Two instalments were due on July 1, 1967 and December 31, 1967. The remaining three instalments fall due on April 1, in each of the years 1968 to 1970 inclusive. The bonds are secured by a second fixed specific mortgage, pledge and charge on all the property and rights described in Note 6 and by a second floating charge on all the other assets of the Company. They may be redeemed in whole or in part at the Company's option on not less than 30 days' notice, at the principal amount thereof plus accrued and unpaid interest.

7% CONVERTIBLE DEBENTURES

9. The principal amount of the debentures becomes due and payable on September 1, 1971 or they may be redeemed in whole or part at the Company's option on 30 days' notice at the principal amount thereof plus accrued and unpaid interest. The debentures are secured by a floating charge on the Company's property which ranks behind all the charges set out in Notes 6 and 8 above. Holders of the debentures may convert them into shares of the Company at the rate of one \$1.00 par value share for each \$2.25 principal amount of debentures.

UNSECURED, DEFERRED, SUBORDINATED NOTES

10. Note holders have the option to purchase shares of the Company at \$1.00 per share on the due date, December 31, 1968, in lieu of cash payment.

COMMITMENT

11. The Company has indicated its support and future assistance to local educational institutions and subsequent to December 31, 1967 made a \$10,000 payment as part of a general undertaking amounting to \$40,000.

CAPITAL STOCK OPTIONS

12. Holders of the convertible debentures and subordinated notes have the option of acquiring capital stock of the Company as set out in Notes 9 and 10 above.

TOTAL REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

13. Total remuneration of directors and senior officers amounted to \$89,407 in 1967.

CHARTERED ACCOUNTANTS

330 BAY STREET

TORONTO
CANADA

To the Shareholders of

CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31, 1967 and the Statements of Profit and Loss, Earned Surplus and Source and Application of Funds for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Although production on the Main Zone ceased at the end of October, 1967, the unamortized balance of development expenses applicable to this zone amounting to \$ 523,199 has not been written off. The company has indicated that it intends to carry out further exploration on this zone when circumstances permit.

Reference is made to Notes 5 and 8 of the Notes to the Financial Statements which show that \$ 564,281 of the long-term debt falls due in 1968.

In our opinion, the attached Balance Sheet and Statements of Profit and Loss, Earned Surplus and Source and Application of Funds and the Notes to the Financial Statements present fairly the financial position of the company as at December 31, 1967, and the results of its operations and the source and application of its funds for the year ended on that date. The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change set out in Note 4 with which we concur.

Snyder, Craig & Co.

Chartered Accountants.

April 30, 1968.

